

The North American Free Trade Agreement Five Years Later

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Good afternoon. Thank you very much for inviting me to speak with you today.

It is now five years since the North American Free Trade Agreement went into effect. Today, as we look back on its first years and towards its future, I would like to reflect on three topics: our experience with the agreement thus far; our agenda for the future; and the lessons we can bring from our experience in this agreement to the issues we must address beyond our own continent -- in the Western Hemisphere, the Pacific region, and the world trading system.

THE AMERICAN TRADE AGENDA

The NAFTA is a partnership. It is an agreement that rests on shared values and principles of mutual benefit. But let me begin my discussion with a bit of context from a U.S. perspective.

America's trade interests are worldwide. Our goods exports are almost equally divided among four major regions: Asia, Europe, Latin America and North America. Thus our trade agenda takes in each part of the world, and the multilateral system that links it together. To review it briefly:

- We will host the Third WTO Ministerial Conference this November in Seattle, kicking off a new Round of negotiations with great potential for our farms, working people, businesses and consumers.
- We are addressing the trade consequences of the world financial crisis for farm and manufacturing exporters and for domestic industries, notably steel.
- We have begun an ambitious program to improve our trade relationship with Africa.
- We are working to improve our trade relations with the European Union through the Transatlantic Economic Partnership.
- And together with Canada, Mexico and every other hemispheric democracy, we are at the midpoint of negotiations toward a Free Trade Area of the Americas by 2005 -- which this year, in accordance with the Miami and Santiago Summits and under Canada's direction as Chair, must lead to implementation of concrete business facilitation measures and

“annotated outlines” of final FTAA chapters.

THE VISION

Each of these is an immensely important endeavor. But as important as each of these endeavors may be, it is fair to say that we have no relationships more important than those which are closest to home. No relationships mean more to the daily lives and well-being of our citizens than those with Mexico and Canada.

And that means all three of us are very fortunate countries. This month, every one of us here has watched hundreds of thousands of people forced onto the dirt roads of Kosovo, losing homes, possessions, sometimes lives to barbarous practices of “ethnic cleansing.” Our countries now house hundreds of thousands or millions of refugees from such conflicts -- today from the Balkans; in the past two decades from Central America, Southeast Asia, Africa, the Middle East and virtually every part of the world.

Almost alone in the world, for a century and more North America has been free from this. For over a century, our three nations have lived together in peace. That is an extraordinary blessing -- one which is almost unique. It is a precious legacy, and a tribute to the foresight, common sense and good will of many generations of Americans, Mexicans and Canadians. And the North American Free Trade Agreement, in the deepest sense, represents our generation’s commitment to preserve this legacy and to strengthen it for a new century.

A SUCCESSFUL TRADE AGREEMENT

At bottom, of course, it is a trade agreement, and must be judged on its merits as such. And from four different perspectives, the agreement meets that test.

1. Promoting Trade, Jobs and Growth

First, NAFTA is promoting trade through an open and fair market. Virtually all the merchandise trade -- a figure now approaching \$350 billion a year -- between the U.S. and Canada is now duty-free; about two-thirds of US-Mexican trade is duty-free. As a result, Mexico has surpassed Japan as America’s second-largest foreign market for goods. We now export three times as much to Canada as to China, Hong Kong and Taiwan combined. Employment and wages are rising in all three countries, meaning new opportunities for working people and higher standards of living for families.

Second, it meets the test of compliance. Our tariff reductions are on schedule. In fact, on two occasions all three members have agreed to implement tariff-phaseouts before the deadline. Quotas, performance requirements and other NAFTA illegal barriers are being eliminated on time. Over the five-year history of the agreement, we have submitted only two issues to Chapter 20 arbitration panels - a testament to the quality of the agreement and our commitment to make it work.

Third, it is advancing our broader economic interests with respect to the world economy. Most notably, the agreement has been an essential factor -- perhaps the single most important factor -- in protecting our economies from the worst effects of the Asian financial crisis. From the U.S. perspective, as our exports to the Pacific Rim dropped by \$30 billion last year, the growth in our exports to Mexico and Canada protected jobs in manufacturing, farm and service sectors, and incomes of blue and white collar workers, all across America. This is a benefit all of us share, of course: Mexico and Canada have been able to rely on access to our market as exports across the Pacific have dropped.

Fourth, and most important, it is helping the working people, families, farmers, entrepreneurs, investors and consumers of our three countries find new opportunities and enjoy higher living standards. Since its passage in 1994, as our economy has grown by well over \$1 trillion, the United States has created jobs at a pace unmet in our history; unemployment has fallen to 4.2% -- the lowest peacetime rate in forty years -- and working people have seen wages rise substantially after a sharp decline during the 1980s.

2. Managing Implementation and Disputes

Much work remains ahead, of course. The Agreement will not be fully implemented until 2008, and through our trilateral work program we must monitor the process closely and find opportunities to improve it. That is why we put in place last year a new high level oversight and policy coordination mechanism to oversee the work program, strengthening our efforts even beyond the annual Ministerial oversight.

Today, we have taken steps to further improve implementation, and directed that additional work begin to make this trilateral project as successful as it should be. This is essential for us not only to take maximum advantage of the opportunities open trade in our continent creates, but to make our economies as competitive as possible with respect to other regions of the world.

We must also address our disputes and disagreements forthrightly. With respect to Mexico, we have yet to resolve concerns on land transportation, but both sides are working with that objective on the issue. We have very important issues to resolve pertaining to high-fructose corn syrup and sugar, and to telecommunications barriers. And we want to work together to address piracy of intellectual property, particularly copyright piracy, where serious problems exist. But we always keep in mind the tremendous growth in our bilateral trade and the value that has brought to both our economies.

With Canada we recently reached a major agricultural agreement, helping to ease trade and increase transparency in wheat, barley, cattle and other commodities. This was of course a first step, and we have a range of agricultural issues to resolve in the months ahead. This area will continue to command high level attention in the U.S., as will our work together with Canada on agriculture in the WTO. And we need to address the major market access impediments facing our magazine publishers and other media and entertainment industries. This and other issues make the

U.S. - Canadian trade agenda extremely challenging, particularly given the long and complicated history of many of these issues; but they are not surprising, given the vast size of our trade relationship, and must always be considered in the context of its overall success.

No agreement will ever end all disputes. But through the cooperative framework we have built, we have avoided or solved many disputes and are working in good faith on those which remain. And five years after passage of the agreement, we can say with absolute certainty that the trade interests of Mexico, Canada and the United States have all been served very well.

3. Improving the Quality of Life

But in relations among neighbors, each of us has concerns that extend well beyond trade.

Our people – Americans, Canadians, Mexicans alike – expect growth and jobs to go together with a rising quality of life and the advance of basic values. Thus the agreement, at its inception and still today, must also meet the test of improving our ability to guarantee clean air, clean water, public health and protection for our natural heritage. It must help us ensure safety, dignity and elementary rights for working people. And in each of these areas – as in its trade provisions – five years into the agreement, we have work ahead but the agreement meets the test.

With respect to the environment, the agreement has led to a remarkable improvement in our ability to protect public health, improve the quality of our air and water, and protect habitat and wildlife. Through the Commission on Environmental Cooperation, created by the environmental side agreement, we have agreed on conservation of North American birds and created a North American Pollutant Release Inventory. The CEC has also helped us devise regional action plans for phase-out or sound management of toxic substances, including DDT, chlordane, PCBs and mercury. Important cooperative work is also underway on environmental enforcement and air quality monitoring.

On the US-Mexico border, the North American Development Bank has begun fourteen projects which will reduce water pollution and improve health for millions of people. For example, Juarez broke ground last November for its first waste-water treatment plant. That is going to mean better sanitation and cleaner water for a million people in Juarez, another million in El Paso, and for border towns and villages all along the upper Rio Grande. A similar project has opened on the American border near San Diego and Tijuana.

And with respect to labor practices, the Agreement on Labor Cooperation has generated the largest cooperative effort on labor anywhere in the world. It covers occupational safety and health, employment and training, industrial relations, worker rights and child labor and gender issues. It has allowed citizens to draw attention to labor practices and improve working conditions, through the filing of twenty separate submissions to the labor commission. Submissions in 1998, for example, led to ministerial consultations on freedom of association and safety and health issues in the Mexican states of Baja California Norte and Mexico. Earlier consultations led to a trilateral conference on the labor rights of women workers in North

America, and a work program of trilateral seminars in Mexico City, San Antonio, and Monterrey on union registration, certification, elections, recognition and union democracy.

4. The Record

Altogether, then, the record of the North American Free Trade Agreement five years later is very good. It has created the opportunities that allow our people to create jobs and raise living standards, dramatically expanded trade and investment, and shielded our continent from the worst effects of the Asian financial crisis. And it has helped us work more closely than ever before to protect our natural heritage, improve public health, and advance the rights of workers. And, as it has achieved these specific tasks, it has served the fundamental strategic interest we all have in preserving the peaceful, cooperation relationship between the countries which share the North American continent.

NORTH AMERICA IN THE WIDER WORLD ECONOMY

This is, of course, a task of fundamental importance for each of our countries. And it offers us a larger opportunity as we approach our challenges and opportunities worldwide.

Each of us is a participant in the Asia-Pacific Economic Cooperation forum; in the WTO and the development of the world trading system; and in the work toward the Free Trade Area of the Americas. And to close my comments today, let me offer a few thoughts on the lessons we can bring from the first five years of our agreement to these tasks.

1. 1999 Priorities

The first is obvious – we do not reach visionary, strategic goals in trade without specific, substantive achievements. Just as the North American Free Trade Agreement began with more focused agreements, so we will need specific accomplishments in smaller areas to reach our larger goals in APEC, the FTAA and the WTO, beginning this year.

With respect to APEC, the Information Technology Agreement, with its potential to speed the development of high-tech industry and open societies, is just one a small example of what we can achieve through this forum. To choose just one of the nine sectors we took up in APEC last year, open trade in environmental goods and services has equally broad implications for North American exporters and for the quality of life. Each of us should work as hard as we can to win consensus on this package by the Ministerial conference in Seattle next November.

Likewise, the Miami and Santiago Summits directed us to make “concrete progress” toward Free Trade Agreement of the Americas this year. Canada, as the Chair for this year’s discussions, has an ideal opportunity to lead in implementation this year of concrete and mutually beneficial business facilitation measures. These could include a code of conduct for customs integrity; improved customs procedures for express shipments; transparency and due process in government procurement; adherence to arbitral conventions; and mutual recognition agreements in

telecommunications.

And as we approach the WTO Ministerial and the new Round of global trade negotiations to begin there, we should work toward consensus not only on the APEC sectoral agreement but an “Information Technology Agreement II” to improve access to the most modern technology; extension of our commitment to refrain from imposing tariffs on electronic transmissions, so electronic commerce can continue to develop; and for an agreement on transparency in government procurement to reduce opportunities for bribery and corruption.

2. Civil Society Participation

The second lesson we have learned is that trade policy does not succeed without the inclusion and participation of all elements of our society.

As we see in our experience over the last five years, the work of the Commissions on environmental and labor cooperation has given ordinary people and civil society groups interested in trade a chance to participate in the implementation of our agreement. All of us have learned from this process. Those who administer these agreements and citizens in all our countries believe more strongly than ever that these accords have helped us reach the NAFTA’s larger goal of cooperation and progress in North America.

We are convinced that the same will be true of our work outside North America. If it lacks transparency; if civil society does not feel it can participate; we may not succeed. And the guarantees of participation will not only strengthen the consensus for APEC, or the WTO, or the FTAA, but improve them.

In the FTAA process, we have therefore – for the first time in any major international trade negotiation – we have created a Committee on Civil Society to advise governments on the views of business, labor, consumers, environmentalists, academics and other citizen associations. Thus, both the negotiations and the FTAA can strengthen, throughout the hemisphere, the sense of mutual benefit, citizen participation, shared values and common destiny which today allow the three nations of North America to live together in peace and prosperity.

Likewise at the WTO, we are determined to lead in the creation of consensus on reforms that will improve transparency and access for citizens – more rapid release of documents, the opening of dispute settlement proceedings to interested observers, and the creation of more permanent fora in which groups can exchange ideas with WTO members and staff.

CONCLUSION

And finally, after five years, our public and the world beyond can draw a third lesson from this experience. That is, the concepts of trade integration, mutual benefit and shared destiny which underlie the NAFTA are not just correct in theory but proven in practice.

Americans, Mexicans and Canadians alike are more prosperous and have more opportunities than before its passage.

Our governments are working more closely and accomplishing more than ever before on environmental protection, workplace safety, and all the other issues that affect the daily lives of our citizens.

And we will pass on to our children, stronger than ever, the legacy of peace, cooperation and progress on the North American continent we have inherited from past generations.

Thank you very much.